

LET'S BUILD A FAIRER AUSTRALIA!

A FAIRER TAX AND WELFARE SYSTEM

SEPTEMBER 2023

FAST FACTS



Profile of poverty and financial stress rate

- The after-housing poverty rate is 11.7 per cent of households or 3.15 million people for December 2023.
- Poverty rates are highest for households relying on JobSeeker (59.6 per cent), working age pensions (Disability Support Pension, Parenting Payment (Single) and Carer Payment (25.7 per cent)), single parents (25.5 per cent), lone persons (18.7 per cent) and renters (17 per cent).
- Financial stress rates are highest for households on JobSeeker (51 per cent), working age payments (41 per cent) and other welfare payments (49 per cent), compared to a national average of 14 per cent.
- Single parent households are more likely to experience financial stress than other households, with 38 per cent in financial stress.

The reforms:

- comprise three models considered at household and SA3 level.
- cost between \$4.0 BN and \$20.0 BN per year and are fully funded over the forward estimates.
- do not require a major overhaul of systems, are progressive, significantly reduce inequality and poverty and drop the stage 3 tax cuts.
- make moderate changes to personal income taxation thresholds and reduce the capital gains tax discount (from 50 per cent to 37.5 per cent) and superannuation tax concessions. For the medium and high options, the tax-free status for retiree superannuation income over the age of 60 is removed. Superannuation tax is changed to an individual's personal top marginal tax rate minus either 20 or 15 percentage points (depending on the option), rather than a largely 15 per cent tax on both contributions and earnings.
- affect a small to moderate number of high wealth, high income households by around \$3000 per year.

The results:

- The tax-free threshold is increased from \$18,200 to \$24,000 (for modest and high options).
- The after-housing poverty rate is reduced from

11.7 per cent of households to 8.6 per cent, lifting between 193,000 to 834,000 people out of poverty.

- The after-housing poverty gap is reduced by between 5.1 per cent and 18.6 per cent.
- Poverty rates for the most disadvantaged are reduced – namely JobSeeker recipients (from 59.6 per cent to 29.9 per cent), single parents (from 25.5 per cent to 10.7 per cent) and lone persons (from 18.7 per cent to 13.5 per cent).
- Working age pension poverty rates are lowered by between 5.6 and 16.3 percentage points.
- Commonwealth Rent Assistance is increased 25 per cent (in addition to the 15 per cent increase in the 2023 Budget).
- Superannuation balances for people with lower and middle income and wealth are increased, including those expected to be on the age pension in retirement (e.g. the bottom 10 per cent of superannuants receive a 16 per cent increase in average balances, from \$77,400 to \$89,900).
- Early career people benefit from significantly more superannuation than late career people, particularly women and men with lower balance percentiles (15 per cent more for women and 11 per cent for men for the 25th percentile of superannuation balances).
- Areas with extreme poverty and financial stress rates benefit, including outer Western Sydney, suburban Greater Brisbane, and regional Australia, including Daly-Tiwi-West Arnhem, Katherine, Arnhem NT and Far North Qld.

Low option (\$4BN or 3.0 per cent increase in current welfare cash payments):

- reduces households in poverty from 11.7 to 11 per cent and lifts 193,000 people out of poverty.
- increases JobSeeker \$176 pf from \$753 (expected value in December 2023) to \$929, and Parenting Payment \$167 pf from \$990 to \$1157.
- involves reducing the capital gains tax discount only, affecting around 4.0 per cent of higher wealth households by more than \$3000 per year (if a property is sold).

Modest option (\$10BN or 8.0 per cent increase in welfare cash payments):

- reduces households in poverty from 11.7 to 9.9 per cent and lifts 491,000 people out of poverty.
- increases JobSeeker \$249 pf from \$753 to \$1002 (or 90 per cent of the Age Pension as per Economic Inclusion Advisory Committee finding), Parenting Payment \$238 pf from \$990 to \$1228 and Disability Support Pension and Carer payments \$69 pf from \$1110 to \$1179 pf.
- affects around 14 per cent and 33 per cent of high wealth households by more than \$3000 per year

High option (\$20BN or 16 per cent increase in welfare cash payments):

- reduces households in poverty from 11.7 to 8.6 per cent and lifts 834,000 people out of poverty.
- increases JobSeeker \$338 pf from \$753 to \$1091 (or 100 per cent of the expected Age Pension for December 2023), Parenting Payment \$351 pf from \$990 to \$1341, Disability Support Pension and Carer payments \$249 pf, Family Tax Benefit (Pt A) by 20 per cent and Commonwealth Rent Assistance by 25 per cent (in addition to the 15 per cent increase in the 2023 Budget).
- affects 22 per cent and 39 per cent of high wealth households by more than \$3000 per year in 2023 and 2025, respectively.

Analysis shows that:

- Poverty rates are higher in locations where there is relatively low income and high housing costs.
- Seven of the top 10 SA3s with the highest poverty rates are in Western Sydney, reflecting relatively low income and high housing costs (current poverty rate, new poverty rate for High Option, reduction)

1.	Merrylands-Guildford NSW (28.9%, 23.7%, -5.2%)
2.	Auburn NSW (28.7%, 24.8%, -4.0%)
3.	Bringelly-Green Valley NSW (27.3%, 23.0%, -4.3%)
4.	Tullamarine-Broadmeadows Vic (27.2%, 21.1%, -6.1%)
5.	Canterbury NSW (26.7%, 22.5%, -4.2%)
6.	East Arnhem NT (26.4%, 19.2%, -7.1%)
7.	Casey-South Vic (25.8%, 21.1%, -4.8%)
8.	Bankstown NSW (25.8%, 21.6%, -4.2%)
9.	Fairfield NSW (25.7%, 21.1%, -4.6%)
10.	Liverpool NSW (25.7%, 20.9%, -4.8%)

- The largest reduction in poverty rates for the High Option tends to be in SA3s with a high proportion of welfare recipients:

1.	Daly-Tiwi-West Arnhem NT (-7.7%)
2.	East Arnhem NT (-7.1%)
3.	Browns Plain Qld (-6.2%)
4.	Brighton Tas (-6.2%)
5.	Tullamarine-Broadmeadows Vic (-6.1%)
6.	Far North Qld (-6.1%)
7.	Springfield-Redbank Qld (-5.8%)
8.	Katherine NT (-5.8%)
9.	Caboolture Qld (-5.5%)
10.	Beenleigh Qld (-5.5%)

- Financial stress rates vary by region as they are a broader measure of financial wellbeing and include variables such as wealth, education and occupation.

- The top 10 SA3s households by financial stress and current poverty rates are:

1.	Daly – Tiwi – West Arnhem NT (27.8%, 19.6%)
2.	Playford SA (24.2%, 22.5%)
3.	Katherine NT (23.1%, 17.3%)
4.	Far North Qld (23.1%, 17.8%)
5.	East Arnhem NT (22.6%, 26.4%)
6.	Brighton Tas (21.7%, 19.3%)
7.	Browns Plain Qld (21.6%, 23.6%)
8.	Mount Druitt NSW (21.2%, 25.0%)
9.	Caboolture Qld (20.9%, 22.1%)
10.	Fairfield NSW (20.9%, 25.7%)

- Suburban Greater Brisbane features much more heavily in high financial stress regions with Caboolture, Springfield-Redbank, Beenleigh, Springwood-Kingston and Forest Lake-Oxley and Inner Ipswich all from Greater Brisbane in the top 20 most stressed.